

§ 1.56(g)-0

26 CFR Ch. I (4-1-13 Edition)

the amount subject to tax for the next 6 succeeding taxable years beginning with taxable year 1972 as provided in this section. In applying the carryover to 1972 and succeeding taxable years, the carryover of N Corporation subject to the limitation of § 1.56A-5(e)(4) is combined with any carryovers originating with M Corporation in 1970.

[T.D. 7564, 43 FR 40468, Sept. 12, 1978. Redesignated and amended by T.D. 8138, 52 FR 15309, Apr. 28, 1987]

§ 1.56(g)-0 Table of Contents.

This section lists the paragraphs contained in § 1.56(g)-1.

§ 1.56(g)-1 *Adjusted current earnings.*

(a) Adjustment for adjusted current earnings.

- (1) Positive adjustment.
- (2) Negative adjustment.

- (i) In general.
- (ii) Limitation on negative adjustments.
- (iii) Example.
- (3) Negative amounts.

(4) Taxpayers subject to adjustment for adjusted current earnings.

(5) General rule for applying Internal Revenue Code provisions in determining adjusted current earnings.

- (i) In general.
- (ii) Example.
- (6) Definitions.
- (i) Pre-adjustment alternative minimum taxable income.

- (ii) Adjusted current earnings.
- (iii) Earnings and profits.

- (7) Application to foreign corporations.
- (b) Depreciation allowed.

- (1) Property placed in service after 1989.
- (2) Property subject to new ACRS.

(i) In general.

(ii) Rules for computing the depreciation deduction.

- (iii) Example.

- (3) Property subject to original ACRS.

- (i) In general.

(ii) Rules for computing the depreciation deduction.

- (iii) Example.

- (4) Special rule for certain section 168(f) property.

- (5) Certain property not subject to ACRS.

(c) Inclusion in adjusted current earnings of items included in earnings and profits.

- (1) In general.

(2) Certain amounts not taken into account in determining whether an item is permanently excluded.

- (3) Allowance of offsetting deductions.

- (4) Special rules.

(i) Income from the discharge of indebtedness.

- (ii) Federal income tax refunds.

(iii) Income earned on behalf of states and municipalities.

(5) Treatment of life insurance contracts.

- (i) In general.

- (ii) Inclusion of inside buildup.

- (iii) Calculation of income on the contract.

(iv) Treatment of distributions under the life insurance contract.

- (v) Treatment of death benefits.

- (vi) Other rules.

(A) Term life insurance contracts without net surrender values.

(B) Life insurance contracts involving divided ownership.

- (vii) Examples.

(6) Partial list of income items excluded from gross income but included in earnings and profits.

(7) Partial list of items excluded from both pre-adjustment alternative minimum taxable income and adjusted current earnings.

(d) Disallowance of items not deductible in computing earnings and profits.

- (1) In general.

(2) Deductions for certain dividends received.

(i) Certain amounts deducted under sections 243 and 245.

- (ii) Special rules.

(A) Dividends received from a foreign sales corporation.

(B) Dividends received from a section 936 corporation.

(iii) Special rule for certain dividends received by certain cooperatives.

(3) Partial list of items not deductible in computing earnings and profits.

(4) Partial list of items deductible for purposes of computing both pre-adjustment alternative minimum taxable income and adjusted current earnings.

(e) Treatment of income items included, and deduction items not allowed, in computing pre-adjustment alternative minimum taxable income.

(f) Certain other earnings and profits adjustments.

- (1) Intangible drilling costs.

(2) Certain amortization provisions do not apply.

- (3) LIFO recapture adjustment.

- (i) In general.

- (ii) Beginning LIFO and FIFO inventory.

- (iii) Definitions.

- (A) LIFO recapture amount.

- (I) Definition.

- (2) Assets included.

- (B) FIFO method.

- (C) LIFO method.

- (D) Inventory amounts.

- (iv) Exchanges under sections 351 and 721.

- (v) Examples.

- (vi) Effective date.

- (4) Installment sales.

- (i) In general.

- (ii) Exception for prior dispositions.

(iii) Special rules for obligations to which section 453A applies.

- (A) In general.

Internal Revenue Service, Treasury

§ 1.56(g)-1

(B) Limitation on application of installment method.
(C) Treatment of the ineligible portion.
(D) Treatment of the eligible portion.
(E) Coordination with the pledge rule.
(F) Example.
(g) Disallowance of loss on exchange of debt pools. [Reserved]
(h) Policy acquisition expenses of life insurance companies.
(1) In general.
(2) Reasonably estimated life.
(3) Reasonable allowance for amortization.
(4) Safe harbor for public financial statements.
(i) [Reserved]
(j) Depletion.
(k) Treatment of certain ownership changes.
(1) In general.
(2) Definition of ownership change.
(3) Determination of net unrealized built-in loss immediately before an ownership change.
(4) Example.
(l) [Reserved]
(m) Adjusted current earnings of a foreign corporation.
(1) In general.
(2) Definitions.
(i) Effectively connected pre-adjustment alternative minimum taxable income.
(ii) Effectively connected adjusted current earnings.
(3) Rules to determine effectively connected pre-adjustment alternative minimum taxable income and effectively connected adjusted current earnings.
(4) Certain exempt amounts.
(n) Adjustment for adjusted current earnings of consolidated groups.
(1) Positive adjustments.
(2) Negative adjustments.
(i) In general.
(ii) Limitation on negative adjustments.
(3) Definitions.
(i) Consolidated pre-adjustment alternative minimum taxable income.
(ii) Consolidated adjusted current earnings.
(4) Example.
(o) [Reserved]
(p) Effective dates for corporate partners in partnerships.
(1) In general.
(2) Application of effective dates.
(3) Example.
(q) Treatment of distributions of property to shareholders.
(1) In general.
(2) Examples.
(r) Elections to use simplified inventory methods to compute alternative minimum tax.
(1) In general.
(2) Effect of election.
(i) Inventories.

(ii) Modifications required.
(A) In general.
(B) Negative modifications allowed.
(iii) LIFO recapture adjustment.
(3) Time and manner of making election.
(i) Prospective election.
(ii) Retroactive election.
(iii) Taxpayers under examination.
(A) In general.
(1) Year of change under examination.
(2) Other open years under examination.
(B) Statement required.
(C) Year of change.
(D) Treatment of additional tax liability.
(iv) Election as method of accounting.
(v) Untimely election to use simplified inventory method.
(4) Example.
(5) Election to use alternative minimum tax inventories to compute adjusted current earnings.
(s) Adjustment for alternative tax energy preference deduction.
(1) In general.
(2) Example.

[T.D. 8340, 56 FR 11083, Mar. 15, 1991, as amended by T.D. 8454, 57 FR 60476, Dec. 21, 1992]

§ 1.56(g)-1 Adjusted current earnings.

(a) *Adjustment for adjusted current earnings*—(1) *Positive adjustment*. For taxable years beginning after December 31, 1989, the alternative minimum taxable income of any taxpayer described in paragraph (a)(4) of this section is increased by the adjustment for adjusted current earnings. The adjustment for adjusted current earnings is 75 percent of the excess, if any, of—

(i) The adjusted current earnings (as defined in paragraph (a)(6)(ii) of this section) of the taxpayer for the taxable year over.

(ii) The pre-adjustment alternative minimum taxable income (as defined in paragraph (a)(6)(i) of this section) of the taxpayer for the taxable year.

(2) *Negative adjustment*—(i) *In general*. For taxable years beginning after December 31, 1989, the alternative minimum taxable income of any taxpayer is decreased, subject to the limitation of paragraph (a)(2)(ii) of this section, by 75 percent of the excess, if any, of pre-adjustment alternative minimum taxable income (as defined in paragraph (a)(6)(i) of this section), over adjusted current earnings (as defined in paragraph (a)(6)(ii) of this section).